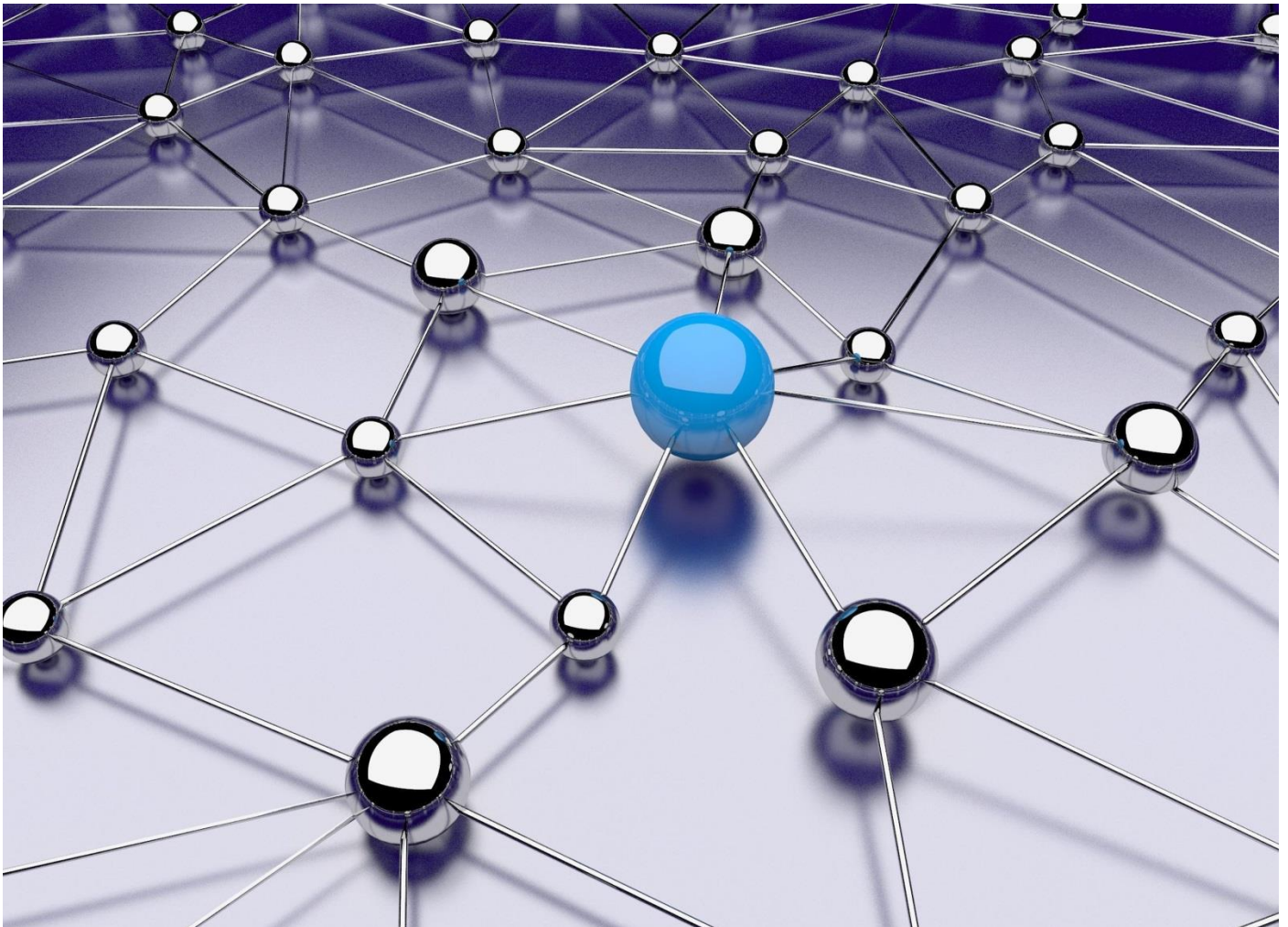


Audit Completion Report

Tyne and Wear Fire and Rescue Authority – year ended 31 March 2016

September 2016



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Governance Committee
Tyne and Wear Fire and Rescue Authority
Nissan Way
Sunderland
Tyne and Wear
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16 September 2016

Dear Members

Audit Completion Report – Year ended 31 March 2016

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit findings and conclusions.

The scope of our work, including identified significant audit risks, was outlined in our Audit Strategy Memorandum which we presented to the Committee on 14 March 2016. We reviewed our Audit Strategy Memorandum upon receipt of your statement of accounts and concluded that the original significant audit risks were still appropriate. We then planned and completed our audit procedures accordingly.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me 0191 383 6300 or mark.kirkham@mazars.co.uk.

Yours faithfully

Mark Kirkham
Partner
Mazars LLP

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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Audit and Governance Committee of Tyne & Wear Fire and Rescue Authority and forms the basis for discussion at the Governance Committee meeting on 26 September 2016.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Tyne & Wear Fire and Rescue Authority;
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016.

At the time of preparing this report, we have not yet received and reviewed the following:

- Required assurance from the auditors of Tyne & Wear Pension Fund (Ernst & Young) over IAS 19 pensions related entries in the financial statements.

We will provide an update to you in a follow up letter to this report should any issues arise in relation to these matters.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 21 October 2016.

Our proposed audit report is set out in Appendix B.

02 Commentary on the financial statements

Good finances are the foundation of the Authority's ability to deliver essential services and to achieve value for money for taxpayers. The Statement of Accounts is the key medium by which the Authority communicates financial performance with external stakeholders. As such it provides valuable data on how resources have been employed and what assets and liabilities are outstanding, and is a useful indicator as to the financial health of the organisation.

Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the cost of providing services for 2015/16 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2015/16. The statement shows a deficit for the year for the provision of services of £10.0m. As with other fire and rescue authorities the statement differs from the Authority's reported performance on its revenue budget for 2015/16 because of items of expenditure which are correctly charged to the CIES under accounting rules but are not charged to the General Fund under statute.

The Authority's performance against its revenue budget is set out in the Narrative Statement in the Statement of Accounts. The outturn position represented a net underspend on the revenue budget of £589k.

The CIES then accounts for other items, primarily a significant actuarial adjustment in the defined benefit liability for pensions, and the bottom line result on the CIES is a surplus of £98.8m.

Movements in Reserves Statement (MIRS)

The MIRS takes the surplus on the provision of services of £98.8m, and adjusts it for the entries in the CIES that were required under accounting rules, but which are not chargeable to the General Fund under statute.

Note 6 to the financial statements sets out the adjustments between the accounting basis and the funding basis.

The MIRS statement culminates in the closing balance on each of the Authority's reserves. Total Usable Reserves represent real resources available to the Authority. Between 31 March 2015 and 31 March 2016 these reduced from £34.2m to £32.8m. The General Fund balance, which is available to meet unforeseen circumstances, increased slightly from £3.88m to £3.94m.

Balance Sheet

The Balance Sheet shows the value of the Authority's assets and liabilities on a single date at the year end. It shows that the Authority has net liabilities or 'negative net worth' of £634.2m, which was a reduction of £98.8m or 13.5% in net liabilities compared to last year. This is almost entirely due to the pension liabilities calculated under accounting standards relating to firefighters and other staff, which at 31 March 2016 were £698.5m.

The Authority's net assets are matched by reserves which comprise both usable and unusable reserves. In addition to the General Fund balance, the Authority also has £3.3m in a capital receipts reserve. A further £25.6m is held in earmarked reserves. Note 7 to the financial statements sets out the Authority's earmarked reserves in more detail. Although these reserves are earmarked, they do provide the Authority with some flexibility in managing in the current challenging financial environment.

03 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 6 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Management override of controls

Description of the risk

International Standards on Auditing (ISA) 240 – The auditor's responsibility to consider fraud in an audit of financial statements requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud. In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We updated our understanding and evaluation of internal control processes and procedures as part of our audit planning, including completion of a fraud risk assessment.

As part of this process we obtained information from the Governance Committee and management on processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.

Our testing included:

- consideration and review of accounting estimates impacting on amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Pension entries (IAS 19)

Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We discussed with officers any significant changes to the pension estimates prior to the preparation of the financial statements.

In addition to our standard programme of work in this area, we also:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary of the Local Government Pension Scheme (Aon Hewitt) and the firefighters' pension scheme (Government Actuaries Department); and
- considered the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which was commissioned by the National Audit Office.

As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of Tyne & Wear Pension Fund (Ernst & Young) over IAS 19 pension related entries in the financial statements.

Audit conclusion

As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of Tyne & Wear Pension Fund (Ernst & Young) over IAS 19 pension related entries in the financial statements.

Subject to a satisfactory response from Ernst & Young, our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Accounting policies and disclosures

We have reviewed Tyne & Wear Fire and Rescue Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting.

Significant matters discussed with management

During the course of the audit we did not encounter any significant matters that required discussion with management.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Electors' rights to inspect the accounts

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the Authority set this period as 29 June 2016 to 9 August 2016. We received no questions or objections within this period.

04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (High)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	None
2 (Medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	ONE
3 (Low)	In our view, internal control should be strengthened in these additional areas when practicable.	None

Other deficiencies in internal control – (Level 2)

Approval of exit packages by the Authority

Description of deficiency

During our testing, we reviewed the approval of exit packages which related to the early retirements of employees on the grounds of efficiency. We found that when the Authority approved an exit package they considered the capital cost in terms of the strain on the pension fund, but they did not consider the level of any severance related payments.

On enquiry, we found that the powers to exercise discretion in relation to voluntary severance had been delegated to the Chief Fire Officer, whereas the strain on the fund requires Authority approval.

We reviewed the Voluntary Severance Scheme reported to the Authority on 3 February 2014, and whilst we could see that this appeared to be the intention of the policy, the wording lacks clarity and could be clearer about what is delegated to the Chief Fire Officer and what requires Authority approval. In addition, the Scheme of Delegation for the Chief Fire Officer does not include a specific delegation in this respect.

In our view, in the interests of openness and transparency, Members should be made aware of the full costs when they receive future requests to approve early retirements, including the reasons for any payments.

Potential effects

Voluntary early retirement and severance payments are by their nature sensitive decisions. Without clarity of responsibilities and full cost reporting, decisions might be subject to challenge.

Recommendation

The Voluntary Severance Scheme should be updated to clarify specifically what has been delegated to the Chief Fire Officer and what requires Authority approval.

The Scheme of Delegation for the Chief Fire Officer should be updated to include a specific approval for delegations agreed under the Voluntary Severance Scheme.

When the Authority considers early retirements in the future, which include an element where a decision has been taken under delegated powers by the Chief Fire Officer, the report should include full costs and where necessary, the justification / rationale for any additional payments, so that a decision can be taken in the knowledge of all relevant information.

Management response

We agree that in the interest of openness and transparency, Members should be made aware of the full costs when they receive future requests to approve early retirements, including the reasons for any payments. The Voluntary Severance Scheme will be updated through Authority to clarify specifically what has been delegated to the Chief Fire Officer which in turn will update the Scheme of Delegation.

05 Summary of misstatements

In our Audit Strategy Memorandum we reported that we had set materiality at the planning stage at £852k with a clearly trivial threshold of £26k below which identified errors would not usually be reported. We do not purely use a formula for our calculation of materiality and we look at any errors identified on their merits and can choose to report errors and uncertainties below our thresholds if we deem this to be appropriate.

Our final calculated materiality level for the 2015/16 audit, based on the final statement of accounts, is £731k, with a trivial threshold of £22k.

We set out below the misstatements identified during the course of the audit, above the trivial level, for adjustment.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2015/16

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr: Lifecycle prepayment	237			
	Dr: Cost of Services expenditure	92			
	Cr: PFI Lease Liability				329
	To correct the treatment of lifecycle maintenance costs on the NEFRA PFI scheme.				
2	Dr: Cost of Services expenditure	31			
	Cr: PFI Lease Liability				31
	To correct an imbalance between the NEFRA PFI model and the PFI lease liability, after taking account of item (1) above.				

Adjusted misstatements 2015/16

		MIRS		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr: Transfers from earmarked reserves	102			
	Cr: Adjustments between accounting basis & funding basis		102		
	Dr: Unusable reserves			102	
	Cr: Earmarked reserves				102
The leasing Minimum Revenue Provision of £102k was originally charged twice; the adjustment made has corrected this and increases the Authority's usable reserves for 2015/16 by £102k.					

Adjusted misstatements 2015/16 (continued)

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
2	Dr: Vehicles, Plant and Equipment			538	
	Cr: Assets Under Construction				538
£538k of assets recorded as being under construction were operational; the adjustment records these assets as being part of the Authority's Vehicles, Plant and Equipment.					
3	Dr: Long term provisions			406	
	Cr: Short term provisions				406
Officers identified a need to reclassify the provision for business rate appeals to short term provisions rather than long term provisions.					

Disclosure amendments

The following amendments were made to disclosures in the accounts:

- changes to the cash flow statement and related notes;
- minor amendments to disclosures in note 30 grant income;
- minor amendments in relation to capital commitments disclosed in note 11;
- clarifications in the pension disclosures in note 37; and
- a number of other minor errors, omissions, clarifications and typographical errors were corrected.

06 Value for money

We are required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion which is made up of three sub-criteria.

The overall criterion set out by the NAO is:

'In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

In the Audit Strategy Memorandum we identified a significant risk relevant to the value for money conclusion. We detail below how we have addressed this risk and our conclusions.

We intend to issue an unqualified Value for Money (VFM) conclusion as set out in Appendix B.

Significant Value for Money risk

VFM risk – Responding to financial pressures

Description of the risk

The Authority faces financial pressures from reduced funding and continues to identify plans to deliver future savings and improvements. Without robust budgetary control and delivery of its action plans, the Authority's financial resilience and service performance could deteriorate.

How we addressed this risk

We reviewed budget monitoring and reporting, focusing on areas where action plans were in place to make savings and improvements, and to minimise any adverse impact on service delivery. We reviewed the plans that are being developed to deliver future savings and improvements.

Conclusion

The Authority has delivered significant savings in recent years, aiming to do this whilst minimising the impact on service delivery. In 2015/16, savings were delivered and in addition there was an underspend against budget. Further savings are planned in 2016/17 although there is a small shortfall in available resources which is being funded from reserves. The Authority has recently identified further savings from a management and organisation review, but has also begun another round of planning to identify additional measures that will be needed to meet a medium term shortfall in resources of £2.8m.

Overall conclusion

Our overall conclusion is, that in all significant respects, Tyne & Wear Fire and Rescue Authority put in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Overall, the Authority has responded well to the financial pressures it has faced, at a time of unprecedented reductions in public sector spending, and has a strong track record of delivering savings and keeping within budget. The 2015/16 revenue budget included savings proposals to address reduced funding and cost pressures.

The Authority achieved a better than expected revenue outturn in 2015/16, and sustained a significant capital programme.

Area	Budget	Outturn	Overspend / (Underspend)	General Fund Balance at year end
Net revenue expenditure	£49.805m	£49.216m	(£0.589m)	£3.94m (previous year £3.88m)
Capital expenditure	£5.3m	£6.2m	n/a	n/a

The underspend resulted from net reductions in planned expenditure and more significantly from greater than expected income, including grants, secondments, police collaboration rental arrangements and charges made to the newly established trading company.

The increase in capital expenditure reflects delivery of additional projects (mainly delivery of programme slippage from 2014/15) rather than an overspend.

The Authority has a range of earmarked reserves for specific plans and projects that will help the Authority to deliver its priorities. These reserves provide some flexibility if the Authority needs to invest to save, for example, but there is a recognition that reserves cannot routinely be used to sustain services and the underlying budget reductions identified will need to be delivered.

The Authority set its revenue budget for 2016/17 at £48.832m, including a 1.99% council tax increase. Within the budgeted amount there was an unidentified shortfall in resources of £0.289m, which was planned to be met from reserves. The Authority projected a shortfall of resources of £2.8m in the medium term from 2016/17 and 2019/20, and recognised the need to identify further steps to address this shortfall.

The Authority uses its Integrated Risk Management Plan (IRMP) process to deliver significant changes to the service. In February 2016, the Authority took stock against its IRMP for 2013 to 2017:

"We have used the IRMP process for more than 10 years to change the service, strengthen prevention, reduce costs and manage the risk in our communities.

... Since 2010, balancing risk and resources has become increasingly challenging and our IRMP actions have been developed against a background of significant reductions in the resources available to the Authority, as a result of reductions in Government spending."

Report to the Authority, Integrated Risk Management Plan Update, 15 February 2016

The update report considered progress against IRMP actions that have been delivered, were in the process of delivery or were about to be reported:

- review of the operational response model – phases 1 and 2 now delivered;
- control review – now completed;
- feasibility of a trading company – these arrangements have now been established;
- management and organisation review – review nearing completion and subsequently reported to the Authority in June 2016 identifying significant savings arising from the proposals; and
- explore further joint working with other emergency services and key partners – measures taken so far have included some co-location of premises with police, collaboration that has supported the Authority's Safetyworks service, some joint arrangements with the North East Ambulance Service, such as participation in an Emergency First Responder trial.

We review Authority and Committee agenda papers and minutes on an ongoing basis. The Authority's priorities are evident from the reports that have been considered and the decisions that have been taken. The challenges for the future include:

- implementing existing IRMP actions, and in particular, the recent management and organisation review;
- maximising the benefits of working with other emergency services and partners; and
- identifying further IRMP actions in a context where there can be few 'easy wins' given the measures that have already been taken.

In the tables which follow we comment briefly on our assessment using the sub-criteria of the VFM conclusion.

Informed decision making

Proper arrangements	Comments on Tyne & Wear Fire and Rescue Authority
<p>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</p>	<p>The Authority is governed by a Constitution including all of the normal features of an effective governance framework in local government.</p> <p>Generally, we find that decisions taken are supported by reports that outline appropriate options and relevant considerations.</p> <p>The Authority's system of internal control is subject to Internal Audit and, for 2015/16, the Authority's internal auditors have given an opinion of substantial assurance.</p> <p>A Governance Committee is in place to oversee the governance framework including approval of the Authority's financial statements. We attend all Governance Committee meetings, and have seen good examples of challenge and oversight.</p> <p>The Authority's Annual Governance Statement includes a balanced assessment of the effectiveness of the Authority's governance arrangements and identifies appropriate areas for further improvement.</p>
<p>Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.</p>	<p>The Authority and Committee reports we reviewed included consideration of financial and legal issues where relevant. We also found that the reports included options and relevant considerations. In our opinion audit, we have identified the scope for improvement in the information presented when Members consider and approve early retirements.</p> <p>Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly by the Policy and Performance Committee, including an Annual End of Year Performance Report every July.</p>
<p>Reliable and timely financial reporting that supports the delivery of strategic priorities.</p>	<p>Regular financial reporting takes place, with formal reporting quarterly to the Authority, including an Annual Outturn Report for both revenue and capital expenditure.</p> <p>There is evidence of financial reporting being used effectively to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas and addressing issues such as those identified in the Integrated Risk Management Plan (IRMP).</p>

Proper arrangements	Comments on Tyne & Wear Fire and Rescue Authority
Managing risks effectively and maintaining a sound system of internal control.	<p>Risk management sits at the heart of the Authority's arrangements, through for example, the Integrated Risk Management Plan (IRMP), the Strategic Community Safety Plan (SCSP) and Community Risk Profile (CRP). These are concerned with identifying the fire and rescue risks in the area and how best to address them through the Authority's services.</p> <p>The Authority also has its own corporate risk register. This is updated bi-annually and is reported to the Policy and Performance Committee.</p> <p>The Authority's system of internal control is subject to Internal Audit and, for 2015/16, the Authority's internal auditors have given an opinion of substantial assurance.</p>

Sustainable resource deployment

Proper arrangements	Comments on Tyne & Wear Fire and Rescue Authority
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	The Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.
Managing and utilising assets effectively to support the delivery of strategic priorities.	<p>The Authority has an Estate Management Plan. Estate management is essential for the Authority as the location of fire stations and appliances is critical to the delivery of a quality service.</p> <p>The Authority made use of the Private Finance Initiative (PFI) to make considerable improvements in its estate and streamline the number of stations. The Authority has looked at ways of extracting increased value from this relatively costly form of finance, but PFI was used as there were a lack of alternative options when the investment was made.</p> <p>More recently, the Authority has sought to replace other stations, for example, building a new fire station at Marley Park to replace Fulwell Station, and is now exploring options for the replacement of Hebburn Fire Station.</p> <p>There are good examples of the Authority seeking to make best use of its assets, for example, through co-location with Northumbria Police and the North East Ambulance Service.</p>
Planning, organising and developing the workforce effectively to deliver strategic priorities.	<p>The Authority has a Human Resource Plan, and has taken steps to downsize in the face of austerity, with an emphasis on managing turnover, and looking for opportunities from voluntary early retirement and voluntary redundancy.</p> <p>An example of recent plans include the management and organisational review, which seeks to streamline the future management structures.</p> <p>In addition, a Workforce Development Plan is in place, which considers the training and development needs of the service and also includes a Personal Development Planning process.</p>

Working with partners and other third parties

Proper arrangements	Comments on Tyne & Wear Fire and Rescue Authority
<p>Working with third parties effectively to deliver strategic priorities.</p>	<p>The Authority works with a range of partners and third parties. The Government's Policing and Crime Bill includes a statutory duty on all three emergency services to collaborate with each other to improve efficiency and effectiveness. It also seeks to enable Police and Crime Commissioners to take on fire and rescue responsibilities in their area where a local case is made.</p> <p>There are already good examples of the Authority working with the other emergency services, seeking to make best use of its assets, for example, through co-location with Northumbria Police and the North East Ambulance Service.</p> <p>The Authority has also participated in the Emergency Medical Response (EMR) regional pilot scheme at West Denton Fire Station, with fire and ambulance services co-responding to medical emergencies. The impact of the trial will need to be evaluated.</p> <p>The Authority also work with other partners, such as the local authorities in the area, in particular, the lead authority, Sunderland City Council.</p>
<p>Commissioning services effectively to support the delivery of strategic priorities.</p>	<p>Given the nature of fire and rescue services, the Authority provides services directly through its own trained firefighting workforce.</p> <p>As noted previously, some of the estate is provided under PFI contracts.</p> <p>In addition, some support services are commissioned from the lead local authority, Sunderland City Council.</p>
<p>Procuring supplies and services effectively to support the delivery of strategic priorities.</p>	<p>The Authority has procurement procedures in place and maintains a contracts register. The Authority seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services.</p> <p>Procurement performance indicators are in place, including assessment of cashable financial savings identified through effective procurement.</p> <p>The Authority is also part of the national fire procurement group and an associate member of the North East Purchasing Organisation (NEPO).</p>

Appendix A – Draft management representation letter

Tyne & Wear Fire and Rescue Authority

26 September 2016

Dear Mr Kirkham

Tyne & Wear Fire and Rescue Authority - audit for year ended 31 March 2016

This representation letter is provided in connection with your audit of the statement of accounts for Tyne & Wear Fire and Rescue Authority for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. A further impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole. A list of the uncorrected misstatements is set out below.

Unadjusted misstatements 2015/16

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr: Lifecycle prepayment	237			
	Dr: Cost of Services expenditure	92			
	Cr: PFI Lease Liability				329
	To correct the treatment of lifecycle maintenance costs on the NEFRA PFI scheme.				
2	Dr: Cost of Services expenditure	31			
	Cr: PFI Lease Liability				31
	To correct an imbalance between the NEFRA PFI model and the PFI lease liability, after taking account of item (1) above.				

Yours faithfully

Barry Scarr
Finance Officer

Appendix B – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Tyne & Wear Fire and Rescue Authority for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters' Pension Fund Account and the Firefighters' Pension Fund Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Tyne & Wear Fire and Rescue Authority in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Tyne & Wear Fire and Rescue Authority, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Finance Officer and auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Tyne & Wear Fire and Rescue Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, Tyne & Wear Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Mark Kirkham

For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham DH1 5TS

26 September 2016